

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

IN THE MATTER OF)	
)	
COMPREHENSIVE REVIEW OF UNIVERSAL SERVICE FUND)	WC Docket No. 05-195
MANAGEMENT, ADMINISTRATION, AND OVERSIGHT)	
)	
FEDERAL-STATE JOINT BOARD ON)	
UNIVERSAL SERVICE)	CC Docket No. 96-45
)	
SCHOOLS AND LIBRARIES UNIVERSAL SERVICE)	
SUPPORT MECHANISM)	CC Docket No. 02-6
)	
RURAL HEALTH CARE SUPPORT MECHANISM)	WC Docket No. 03-109
)	
LIFELINE AND LINK-UP)	WC Docket No. 03-109
)	
CHANGES TO THE BOARD OF DIRECTORS FOR THE)	
NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.)	CC Docket No. 97-21

**COMMENTS OF CENTENNIAL COMMUNICATIONS CORPORATION
ON THE NOTICE OF PROPOSED RULEMAKING
AND
FURTHER NOTICE OF PROPOSED RULEMAKING**

Centennial Communications Corporation ("Centennial") respectfully submits these comments on the proceedings captioned above. Centennial is both a wireless carrier and a competitive local exchange carrier. The company's markets are in the Midwest, the Southeast, and the Caribbean.¹ Centennial was also the first company to become a competitive eligible telecommunications carrier ("CETC"), receiving its certification for Puerto Rico in 1997.²

¹ Centennial provides wireless services in rural areas of Indiana, Louisiana, Michigan, Mississippi, Ohio, Puerto Rico, Texas, and the Virgin Islands. In Puerto Rico, the company also operates a facilities-based CLEC network that interconnects with every central office of the incumbent LEC. In the Dominican Republic, the company also operates a wireless network and a facilities-based CLEC network.

² Centennial currently is a CETC in all of its markets except Texas, Ohio and the Virgin Islands, where its petition is now pending before the FCC.

Centennial appreciates this opportunity to comment upon the procedures of the Universal Service Administrative Company (“USAC”) and supports the Commission’s efforts to create a more effective and responsive mechanism for distributing support payments. In this regard, Centennial urges the Commission to implement as soon as it can those improvements to USAC’s procedures that do not require additional rulemaking proceedings.

As a result of Centennial’s long association with the Universal Service Fund (“USF”), it has a number of suggestions to offer regarding improvements the company believes should be made to the business practices of USAC, particularly as they affect service providers. As will be shown below, USAC’s calculation of a service provider’s support and its disbursement of the support is, from a CETC’s perspective, opaque, arbitrary, and unverifiable. In Centennial’s view, USAC’s policies and procedures need to be reformed to make the organization more responsive to its customers and to make its operations more transparent and accountable.

1. Disbursement Procedures.

According to USAC’s last annual report,³ it handled almost \$6 billion of revenue and disbursed some \$5.3 billion of support to service providers. Given the gigantic cash inflows and outflows that USAC is responsible for managing, a casual observer would expect USAC to provide a clear explanation to its customers of the monthly support payments it disburses and present it in a format that would enable the service provider to reconcile the payment to the estimate of support found on USAC’s website.⁴ Here, however, is a sample of what USAC actually sends its customers each month:

³ <http://www.universalservice.org/download/pdf/2004AnnualReport.pdf>

⁴ <http://www.universalservice.org/overview/filings/>

143027405|Centennial Cellular Operating Co.
LLC|whowells@centennialcorp.com|usacstatement@universalservice.org|1|-224532|High
Cost|For the Month of June,2005
143027405|Centennial Michigan RSA 6 Cellular Corp.|319006|MI|IAS|0|HCM|0|HCL|-
165407|SNA|0|ICLS|-25234|LTS|-29188|LSS|-4703|SVS|0
143027405|IAS|0|HCM|0|HCL|-165407|SNA|0|ICLS|-25234|LTS|-29188|LSS|-4703|SVS|0

This is the sum of all the information USAC shares with a service provider about the monthly support payment. Once a service provider has decoded the cryptic transmittal format, there still remains the daunting task of figuring out if the payment itself is right or wrong. There is no easy way to do this.

For a service provider to verify the accuracy of the payment, the only recourse is to call USAC. Indeed, even when the payment appears wrong on its face, the reason for the variance cannot be determined without making a call to USAC or its contractor. This is because no information is given a service provider about its payment other than the transmittal above. This state of affairs is easily improved.

The calculation of support for a service provider is a fairly straightforward matter. Essentially, the number of lines the service provider reports⁵ is multiplied by the support⁶ per line for the relevant support program; that product is the amount of support that a service provider may expect for that service, and the sum of all the support programs for which the service provider is eligible is the anticipated amount of total monthly support.⁷ Naturally, a service provider must first have been found eligible to receive the support.

With this in mind, and without disclosing any confidential ILEC information, USAC could immediately improve the quality of its service to its customers if it adopted the following transmittal format:

⁵ Service providers file quarterly line counts based upon actual data from two quarters before the filing date. Thus, the first quarter line count filing reports line counts from the quarter ending June 30.

⁶ There are several categories of support, each with its own cost basis and resulting support per line.

⁷ There are adjustments made to these products based on true-ups of estimated LEC operating costs, line count corrections, and other factors.

Support⁸

ILEC SAC ⁹	LEC Name	Zone ¹⁰	#Res & SLB ¹¹ Lines	Res Rate Per Line	# MLB ¹² Lines	MLB Rate Per Line	54.201 Date ¹³	Month X	Month Y	Month Z	Total

Use of this form, or one similar to it, will permit service providers to reconcile their monthly support with the amount projected by USAC on its website. A service provider may then more easily identify the cause of any discrepancy between the two and effect a correction more quickly and more easily than is now the case. For example, Centennial's support for Puerto Rico recently declined precipitately. After the usual round of calls to USAC and the engagement of an expert in these matters, it turned out that USAC had mistakenly determined that Centennial's Puerto Rican subsidiary was ineligible in one of the island's two study areas. If USAC had used a transmittal form like the one above, the eligibility error would have been spotted immediately, forestalling the delay and expense to which Centennial was put to correct the problem.

In theory, the payment to be made to a CETC in each of the three months in any quarter should be the same. In practice, this rarely occurs. For some support programs, the cause of the variation is known. For example, interstate common line support ("ICLS") is calculated based upon the ILEC's estimate of its costs. Following a true up of these estimates with actual data, USAC adjusts the ICLS support payment. This true up occurs in the third and fourth quarters. However, Centennial understands, based upon information and belief, that in the course of the year other, more informal true ups occur. These true ups introduce variance into the monthly payments and, as a result of the unex-

⁸ USAC generally projects support on a quarterly basis.

⁹ Study Area Code

¹⁰ Some study areas are disaggregated because of disparity of service costs.

¹¹ Single Line Business.

¹² Multi-Line Business.

¹³ Date of service provider's eligibility.

plained variances, doubt as to the accuracy of the payment received. These procedures should be made explicit. This is an especially important point for public companies like Centennial, who provide guidance to investors and the public. In an era of heightened scrutiny of financial reporting, no public company wants to find itself making constant corrections to the guidance it offers the public. Moreover, the unpredictability of USAC's procedures makes it difficult to plan for construction projects or to certify to state commissions the level of capital spending a CETC will undertake. By requiring more transparency in USAC's procedures, the Commission can assure that CETCs will be able to place greater faith in projections of support from the universal service fund.

Indeed, the data collected for the provision of the local switching support ("LSS") and ICLS support could be made public without adverse consequences to the ILECs. In those instances where LSS support is provided to large carriers, all of the inputs may be found in the carriers' ARMIS filings. For ICLS, the major inputs for that support would also be found in the ARMIS filing. Those data that may not be found in ARMIS would be the zone line counts for any carrier that de-averaged below the study area. Disclosing these inputs, however, should not have an adverse effect on a carrier and would materially improve the transparency of USAC's procedures.

Another problem area is the disaggregation maps on USAC's website. In the *RTF Order*¹⁴, the Commission found that under the then existing embedded cost mechanism,

¹⁴ Federal-State Joint Board on Universal Service, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket Nos. 96-45, 00-256, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, FCC 01-157 (rel. May 23, 2001) ("*RTF Order*").

federal high cost universal service support for rural carriers was averaged across all lines served by a carrier within its study area. Thus, support on a per-line basis was the same throughout a study area even though the costs of serving customers in that study area likely varied. In the *RTF Order*, the FCC concluded that support should be disaggregated and targeted below the study area level, so as to achieve a balance between rural carriers' needs for flexibility and the FCC's goal of encouraging competitive entry. The FCC, therefore, adopted, with certain modifications, the disaggregation plans proposed by the Rural Task Force.¹⁵ To implement disaggregation, USAC requires those ILECs who disaggregate to file maps "precisely identifying the boundaries of the approved disaggregation zones within the carrier's study area" with "[p]ublicly available information that allows competitors to verify and reproduce the algorithm used to determine zone support levels," and "[i]nformation demonstrating that the underlying rationale is reasonably related to the cost of providing service for each cost zone within each disaggregated category."¹⁶ USAC further determined that the disaggregation and targeting path selected by the rural incumbent carrier binds competitive ETCs serving those disaggregated territories.¹⁷ This meant that CETCs serving a disaggregated study area must assign their lines among the disaggregated zones. The difficulty with this latter requirement is that the maps on USAC's website are worthless for this purpose.

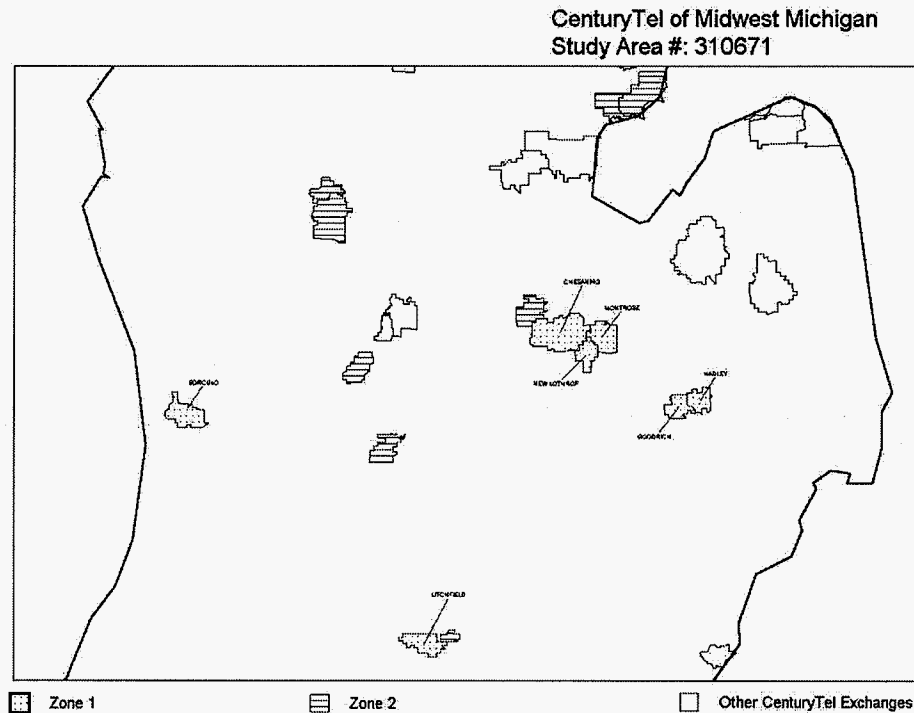
To illustrate, USAC recently required carriers to use a new form for reporting line count information, a Form 525. Using this form for Centennial Michigan RSA 7 Cellular Corp. (a Centennial subsidiary), Centennial reported subscribers in the following rate centers: CenturyTel Midwest – Mecosta, CLLI Code MCSTMIXIDSO; and, CenturyTel

¹⁵ *RTF Order* at para. 136 *et seq.*

¹⁶ <http://www.universalservice.org/hc/disaggregation/>

¹⁷ *Ibid.*

Michigan – Crystal, CLLI Code DRYSMIXIDSO. USAC then asked Centennial what zone these lines were in. Here is the map that Century has filed for the Michigan zones:



The problem with the map is that it has no geocode information whatsoever.¹⁸ Consequently, neither Centennial nor any other CETC can figure out the zone in which one or more of its subscribers is located. While Centennial knows the zip codes of its customers, the Mecosta and Crystal rate centers have four zip codes each, and these zip codes overlap the rate centers. Without maps in a geocode file format, no CETC can confidently place subscribers in the proper disaggregated zone.

Centennial urges the Commission to adopt rules requiring USAC to make its support payments in a format that permits the recipients to verify the accuracy of the payments. The Commission should insist that maps posted on USAC's website provide suf-

¹⁸ CenturyTel's maps are no different from others on USAC's map page – in fact, CenturyTel's maps are at least readable unlike some others.

ficient information to fulfill the disaggregation requirements of the *RTF Order*, and USAC should disclose the inputs to support mechanisms whenever doing so will not jeopardize the confidential information of an ILEC.

2. Administrative Practice.

USAC's procedures regarding support calculations, eligibility, and overall administration of the program are arbitrary. Moreover, USAC provides its customers with no notice of changes in payments, in the manner of calculation of support, or even in the denial of support. Not only is notice forgone, but there is no opportunity for a CETC to be heard on USAC's action before it takes place. A good example of USAC's arbitrariness can be seen in the sample transmittal above on page 3, which contains a series of negative numbers.

USAC, at some point, concluded that payments it had made to several carriers, including Centennial, should not have been made. Without any notice to Centennial, and notwithstanding it was aware of this issue for months before it took action on Centennial's support, USAC decided to begin "charging back" the payments it alleges it made in error. It did this by simply inserting the negative numbers into its already cryptic monthly transmission. *This is the entire notice and explanation that Centennial received of USAC's decision.* The need for basic administrative fairness became even more evident when Centennial discovered that USAC's calculation of the alleged overpayment was grossly overstated. And even though USAC remains unable to explain its calculation of the charge back, it continues to withhold support based upon a sum far in excess of amounts Centennial has actually received in the disputed support payments.

Because there is no transparency in any of USAC's undertakings, and no mechanism for even basic administrative fairness, CETCs are left to accept on faith what USAC gives them – even though the numbers are frequently wrong – or to invest in resources to check USAC's work and dispute the results. The need to correct, follow up, and catch up only injects more confusion into a system that is already difficult to understand.

Certain changes in USAC's payment of support ought to generate an automatic notice and explanation to the support recipient. For example, changes in eligibility or material changes in the support payment itself ought to be accompanied by a notice explaining the change and offering an opportunity for the CETC to be heard on the change. As noted above, the factors affecting USAC's support calculations are often not well explained or even disclosed at all. The factors affecting an entity's support payment should be described and any changes or variation in their treatment made public so that affected entities may be heard.

Centennial urges the Commission to adopt rules that will require USAC to provide notice of a change in an entity's eligibility, a material change in its support payment, and any changes in factors affecting the calculation of the support payments. The notice should explain the action and offer the recipient an opportunity to be heard on the proposed change before it takes effect.

3. USAC Board

Currently, the USAC board has one member from the wireless industry.¹⁹ The wireless industry's representation on USAC's board should be increased for several reasons.

¹⁹ <http://www.universalservice.org/download/pdf/2004AnnualReport.pdf>. The wireless board member was an officer of CTIA who has since left that organization for a position with another organization.

First, there are more wireless subscribers than landline access lines, approximately 176 million landlines to more than 184 million wireless subscribers.²⁰ More than half of rural households have wireless services, and the number continues to grow.²¹

Second, the trend in telecommunications is running against wireline companies. The overall number of access lines has continued to decline in the face of growing wireless subscription, and wireline long distance voice revenues continue to decline as well.²² While only about 5.5% of the population lives in households with wireless phones only, that trend is more pronounced (and likely underreported) among younger users, some of whom simply never sign up for wireline service.²³

Third, the wireless industry is a large net contributor to the universal service fund. Approximately a third of the fund's contributions come from the wireless industry, which receives much less in support from the fund than do local exchange carriers.²⁴

By increasing the wireless industry's representation on USAC's board in recognition of its significant role in the universal fund, USAC's administrative and operational shortcomings should receive more attention than they currently get. The board's current configuration does not offer sufficient voice for CETCs and their concerns, especially when their importance in the telecommunications industry is given fair weight.

²⁰ *In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993 Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, WT Docket 05-71, Tenth Report, (September 30, 2005) at para. 197 ("Tenth Report").

²¹ Comments of CTIA, WT Docket No. 05-71 at 21 (filed March 28, 2005).

²² *Ibid.*

²³ *Ibid.*

²⁴ In 2004, total USF support programs amounted to roughly \$5.3 billion. Local exchange carriers received \$4.3 billion of that amount with wireless carriers receiving \$395 million. *See*, <http://www.universalservice.org/download/pdf/2004AnnualReport.pdf>.

CONCLUSION

The shortcomings in USAC's procedures outlined in these comments have very practical consequences for carriers like Centennial. Most obviously, these defects make any sort of planning about the future use of these payments problematic at best because the reliability of the support stream cannot be counted upon from month to month. This, in turn, affects Centennial's ability to describe for state commissions how the company intends to use the funds in the coming calendar year for the improvement of service — something Centennial must do once a year to meet local certification requirements.²⁵ The unreliability and unpredictability of the support payments also works against the purposes of the program by delaying commitments to capital outlays in remote areas rather than beginning construction with the understanding that the support will continue unaffected from month to month. Finally, trying to account for USF support payments in the current environment is frustrating. Not only is financial planning adversely affected, but also, at a time of heightened scrutiny of corporate reporting, the need to make constant corrections about the receipt of these funds is an activity no business relishes.

For the foregoing reasons, Centennial respectfully urges the Commission to adopt rules that ensure greater transparency in USAC's operations, provide USF recipients with notice of and an opportunity to be heard on changes affecting their support payments, and provide representation on USAC's board for the wireless industry that recognizes the in-

²⁵ The Commission's new rules for CETC certification require an applicant to present a five-year plan showing how it will use the support payments. In Centennial's experience, reliance upon USAC's *three-month* projection of support usually results in disappointment. Converting that dubious quarterly projection into a five-year plan is not an exercise that anyone should find reassuring.

dustry's contribution to the universal service fund and the number of customers that it serves.

Respectfully submitted,

Centennial Communications Corp.



By:

Christopher W. Savage
Cole, Raywid and Braverman LLP
1919 Pennsylvania Ave., NW, Suite 200
Washington, DC 20006
(202) 659-9750

William L. Roughton, Jr.
Vice President Legal & Regulatory Affairs
Centennial Communications Corp.
3349 Rt. 138, Bldg. A
Wall, New Jersey 07719
732-556-2261
Its Attorneys

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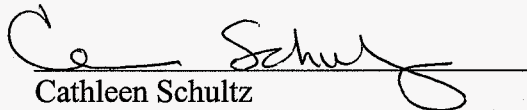
CERTIFICATE OF SERVICE

I, Cathleen Schultz, do hereby certify that on this 12th day of October, 2005, a true and correct copy of the Comments of Centennial Communications Corporation has been sent via e-mail to the following:

Warren Firschein*
Federal Communications Commission
Telecommunications Access Policy Division
Wireline Competition Bureau
445 12th Street, SW, Room 5-B442
Washington, DC 20554
e-mail address: warren.savir@fcc.gov

Mika Savir*
Federal Communications Commission
Telecommunications Access Policy Division
Wireline Competition Bureau
445 12th Street, SW, Room 5-B448
Washington, DC 20554
e-mail address: mika.savir@fcc.gov

Best Copy and Printing, Inc.
445 12th Street, SW, Room CY-B402
Washington, DC 20554
e-mail address: fcc@bcpiweb.com


Cathleen Schultz